

House Bill 377

By: Representative Knox of the 24<sup>th</sup>

A BILL TO BE ENTITLED  
AN ACT

1 To amend Title 33 of the Official Code of Georgia Annotated, relating to insurance, so as to  
2 provide a short title; to define certain terms; to provide for reorganization of mutual insurers  
3 and formation of mutual insurance holding companies; to provide for mergers of mutual  
4 insurers or other entities with mutual insurance holding companies; to provide for approval  
5 of reorganization plans or merger plans by policyholders; to provide for approval of  
6 reorganization plans or merger plans by the Commissioner of Insurance; to provide for  
7 domestication of mutual insurance holding companies; to provide for conversion of mutual  
8 insurance holding companies; to provide for applicability of certain provisions and  
9 rehabilitation and liquidation; to provide that certain membership interests shall not be  
10 deemed securities; to provide restrictions on voting stock of reorganized stock insurers; to  
11 provide for powers of mutual insurance holding companies and restrictions on dividends; to  
12 provide time limits for challenges; to provide for payment of costs and expenses of  
13 reorganization or merger; to provide for retention of experts to assist in evaluating  
14 reorganization or merger plans; to provide an effective date; to repeal conflicting laws; and  
15 for other purposes.

16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

17 **SECTION 1.**

18 Title 33 of the Official Code of Georgia Annotated, relating to insurance, is amended by  
19 adding a new Chapter 13A to read as follows:

20 "CHAPTER 13A

21 33-13A-1.

22 This chapter shall be known and may be cited as the 'Mutual Holding Company Act.'

33-13A-2.

As used in this chapter, the term:

(1) 'Independent committee of the board' means a committee of the board of directors of a mutual insurance holding company that is comprised exclusively of nonmanagement board members.

(2) 'Intermediate holding company' means one or more stock corporations that own all of the shares of voting stock of one or more reorganized stock companies after a reorganization under Code Section 33-13A-4 or a merger under Code Section 33-13A-5.

(3) 'Majority of the voting stock of the reorganized stock insurer' means shares of the capital stock of the reorganized stock insurer which carry the right to cast a majority of the votes entitled to be cast by all of the outstanding shares of the capital stock of the reorganized stock insurer for the election of directors and on all other matters submitted to a vote of the shareholders of the reorganized stock insurer.

(4) 'Member' means a person who obtains a membership interest in a mutual insurance holding company by virtue of being a policyholder of a mutual insurer that is the subject of a reorganization plan under Code Section 33-13A-4 or a merger under Code Section 33-13A-5.

(5) 'Merger plan' means a plan approved by a domestic mutual insurer's board of directors under Code Section 33-13A-5 which proposes to merge a domestic or foreign mutual insurer into an existing mutual insurance holding company or into an intermediate holding company, thereby converting the domestic or foreign mutual insurer into a stock insurer.

(6) 'Mutual insurance holding company' means a domestic corporation incorporated pursuant to a reorganization plan under Code Section 33-13A-4 or a merger under Code Section 33-13A-5, which company is the ultimate parent of a reorganized stock insurer and which may be the parent company of one or more intermediate holding companies.

(7) 'Nonmanagement board member' means a board member of the board of directors of a mutual insurance holding company who is not an officer or employee of the mutual insurance holding company or any of its subsidiaries.

(8) 'Policyholder' means a person who is insured under one or more insurance policies or annuity contracts by a mutual insurer at the time of a reorganization under Code Section 33-13A-4 or a merger under Code Section 33-13A-5; provided, however, that the term 'policyholder' shall not include a person who holds a nonparticipating policy issued by a mutual life insurer if so limited by the bylaws of such mutual life insurer.

(9) 'Reorganization plan' means a reorganization plan adopted by a mutual insurer's board of directors in accordance with Code Section 33-13A-4 which proposes to convert the domestic mutual insurer into a stock insurer.

(10) 'Reorganized stock insurer' means the domestic or foreign stock insurer resulting from a domestic or foreign mutual insurer's reorganization under Code Section 33-13A-4 or merger under Code Section 33-13A-5.

(11) 'Voting stock' means securities of any class or any ownership interest having voting power for the election of directors, trustees, or management of a corporation, other than securities having voting power only as a result of a contingency. Voting stock shall also mean a voting security as defined in Code Section 33-14-17.

33-13A-3.

This article shall apply only to:

(1) Domestic and foreign mutual insurers which are actively engaged in the business of insurance in Georgia; and

(2) Domestic mutual insurance holding companies.

33-13A-4.

(a) A domestic mutual insurer may, upon receipt of the approval of the Commissioner, reorganize by forming a mutual insurance holding company based upon a reorganization plan that is consistent with the requirements of this chapter. Such a reorganization plan must be adopted by the affirmative vote of not less than two-thirds of the mutual insurer's board of directors.

(b) At any time prior to the mailing to policyholders of the notice pursuant to Code Section 33-13A-7, a mutual insurer's board of directors may amend the reorganization plan by the affirmative vote of not less than two-thirds of the members of the board of directors. At any time before the Commissioner's approval or disapproval of the reorganization plan, a mutual insurer's board of directors may withdraw the reorganization plan by the affirmative vote of not less than two-thirds of the board of directors.

(c) The reorganization plan shall provide for the creation and incorporation of a mutual insurance holding company and for the continuation of the corporate existence of the mutual insurer as a stock insurer.

(d) The reorganization plan shall provide that all of the initial shares of voting stock of the reorganized stock insurer or insurers shall be issued to the mutual insurance holding company or to an intermediate holding company. The reorganization plan shall provide that the mutual insurance holding company shall at all times own a majority of the voting stock of the reorganized stock insurer or, alternatively, that the mutual insurance holding company shall at all times own the majority of voting stock in an intermediate holding company, which intermediate holding company shall at all times own all of the voting stock of the reorganized stock insurer. The shares of voting stock required to be owned by

1 the mutual insurance holding company or by any intermediate holding company shall not  
2 be pledged, hypothecated, or in any way encumbered with regard to any obligation,  
3 guaranty, or commitment undertaken by or on behalf of the mutual insurance holding  
4 company or the intermediate holding company, if any. The plan shall also provide that the  
5 board of directors of the mutual insurance holding company will be elected by the  
6 members.

7 (e) The reorganization plan shall provide that membership interests of the policyholders  
8 of the mutual insurer or insurers shall automatically become membership interests in the  
9 mutual insurance holding company as long as the policy is in force, and that, concurrently  
10 upon the effective date of the reorganization, the policyholder's membership interests in  
11 the mutual insurer or insurers shall be extinguished.

12 (f) The reorganization plan or merger plan must also address each of the following items:

13 (1) In the case of a reorganization under this Code section, establishing a mutual  
14 insurance holding company with at least one stock insurer subsidiary or, in the case of a  
15 reorganization by merger under Code Section 33-13A-5, a description of the terms and  
16 conditions of the proposed reorganization or merger;

17 (2) An analysis of the benefits and risks attendant to the proposed reorganization,  
18 including the rationale for the reorganization;

19 (3) The provisions for protection of the immediate and long-term interests of existing  
20 policyholders;

21 (4) Ensuring immediate membership in the mutual insurance holding company of all  
22 existing policyholders of the reorganizing domestic insurer or insurers;

23 (5) Describing the membership interests in the mutual insurance holding company for  
24 all future policyholders of the reorganized stock insurer;

25 (6) Identifying the number of members of the board of directors of the mutual insurance  
26 holding company, if any, that are required to be policyholders of the reorganized stock  
27 insurer;

28 (7) Describing the nature and content of the annual report and financial statement to be  
29 sent to each policyholder;

30 (8) A copy of the proposed mutual insurance holding company's articles of incorporation  
31 and bylaws specifying all membership rights;

32 (9) The names, addresses, and occupational information of all corporate officers and  
33 members of the proposed mutual insurance holding company's board of directors, to the  
34 extent that such documentation has not already been filed with the department;

35 (10) Information sufficient to demonstrate that the financial condition of the reorganizing  
36 or merging insurer will not be materially diminished upon reorganization or merger,  
37 including information concerning any subsidiaries of the reorganizing or merging insurers

1 that will become subsidiaries of the mutual insurance holding company or any  
2 intermediate holding company as part of the reorganization or merger;

3 (11) A copy of the articles of incorporation and bylaws for any proposed insurance  
4 subsidiary or intermediate holding company subsidiary;

5 (12) A description of any plans for an initial subscription or sale of stock or other  
6 securities of the reorganized stock insurer or any intermediate holding company; and

7 (13) Any other information related to the reorganization or merger reasonably requested  
8 by the Commissioner.

9 (g) The board of directors of a domestic mutual insurer shall file all of the following with  
10 the Commissioner within 60 days after adopting a reorganization plan or a merger plan  
11 pursuant to subsection (a) of this Code section:

12 (1) The reorganization plan or the merger plan;

13 (2) The forms of notices to be sent to such mutual insurer's policyholders;

14 (3) The form of proxy, if any, to be solicited from policyholders in connection with any  
15 policyholder vote on the reorganization plan or the merger plan;

16 (4) The proposed articles of incorporation and bylaws for the mutual insurance holding  
17 company and the reorganized stock insurer and, where applicable, for any intermediate  
18 holding company; and

19 (5) Such other documents as the Commissioner may reasonably require to evaluate the  
20 proposed reorganization or merger.

21 (h) The reorganization plan may provide that any subsidiaries of the reorganized stock  
22 insurer may remain as subsidiaries of such company or become direct subsidiaries of the  
23 mutual insurance holding company.

24 (i) The reorganization plan shall address the rules for determining membership interests  
25 in the mutual insurance holding company of any policyholder of the mutual insurer or the  
26 reorganized stock insurer who acquires or terminates his or her policy after the  
27 reorganization plan is submitted and adopted by the board and approved by the  
28 Commissioner. Nothing in this Code section shall be construed as requiring membership  
29 in the mutual insurance holding company of any new or terminating policyholder.

30 (j) A mutual insurance holding company resulting from the reorganization of a domestic  
31 mutual insurer organized pursuant to Chapter 14 or Chapter 41 of this title shall be  
32 incorporated pursuant to the authority of this chapter. The articles of incorporation and any  
33 amendments to such articles of the mutual insurance holding company shall be subject to  
34 approval of the Commissioner and the Secretary of State in the same manner as those of  
35 any domestic stock or mutual insurer incorporated under Chapter 14 or Chapter 41 of this  
36 title.

1 (k) The reorganization plan shall provide that a majority of the board of directors of the  
2 mutual insurance holding company shall be nonmanagement board members.

3 (l) Each director of the board of directors of the mutual insurance holding company shall  
4 have a fiduciary duty to the members.

5 (m) The plan shall provide that the rights of a holder of a surplus note to participate in the  
6 conversion, if any, shall be governed by the terms of the surplus note.

7 33-13A-5.

8 (a) A domestic mutual insurer may, upon receipt of the approval of the Commissioner,  
9 reorganize by merging into an existing domestic mutual insurance holding company or an  
10 existing intermediate holding company formed pursuant to Code Section 33-13A-4 and  
11 continuing the corporate existence of the reorganizing mutual insurer as a stock insurer  
12 subsidiary of the mutual insurance holding company. The Commissioner, with or without  
13 a public hearing as provided in Code Section 33-13A-8 and if satisfied that the interests of  
14 the policyholders are properly protected and that the merger plan is fair and equitable to  
15 the policyholders, may approve the proposed merger plan and may require as a condition  
16 of approval such modifications of the proposed merger plan as the Commissioner finds  
17 necessary for the protection of the interests of such policyholders. A merger pursuant to  
18 this Code section shall not be subject to Code Section 33-13-3, relating to acquisition of  
19 control of or merger with domestic insurers, or Code Section 33-13-3.1, relating to  
20 acquisition of insurers and effect on competition.

21 (b) A foreign mutual insurer may also reorganize upon the approval of the Commissioner  
22 and in compliance with the requirements of any law or regulation which is applicable to  
23 the foreign mutual insurer by merging its policyholders' membership interests into an  
24 existing domestic mutual insurance holding company or an existing intermediate holding  
25 company formed pursuant to a reorganization plan under Code Section 33-13A-4 and  
26 continuing the corporate existence of the reorganizing foreign mutual insurer as a foreign  
27 stock insurer subsidiary of the domestic mutual insurance holding company. The  
28 Commissioner, with or without a public hearing as provided in Code Section 33-13A-8,  
29 may approve the proposed merger. The Commissioner may retain consultants as provided  
30 in Code Section 33-13A-17. The reorganizing foreign mutual insurer may remain a foreign  
31 company or foreign corporation after the merger and may be admitted to do business in this  
32 state. A foreign mutual insurer which is a party to the merger may at the same time  
33 redomesticate to this state by complying with the applicable requirements of this state and  
34 any other requirements imposed by its current state of domicile. The provisions of  
35 subsection (c) of this Code section shall apply to a merger authorized under this subsection.

(c) All of the initial shares of the voting stock of the reorganized stock insurer shall be issued to the mutual insurance holding company or an intermediate holding company. The membership interests of the policyholders of the reorganized stock insurer shall become membership interests in the mutual insurance holding company. Policyholders of the reorganized stock insurer shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times own a majority of the voting stock of the reorganized stock insurer or, alternatively, the mutual insurance holding company shall at all times own a majority of the voting stock in an intermediate holding company which at all times owns all of the voting stock of the reorganized stock insurer.

(d) A mutual insurance holding company resulting from the reorganization of a domestic mutual insurer organized under Code Section 33-13A-4 shall be incorporated pursuant to the provisions of this chapter. The articles of incorporation and any amendments to such articles of the mutual insurance holding company shall be subject to approval of the Commissioner and the Secretary of State in the same manner as those of any domestic stock or mutual insurer incorporated under Chapter 14 or Chapter 41 of this title.

33-13A-6.

If, at any time during or following the creation of a mutual insurance holding company, an intermediate holding company or the reorganized stock insurer engages in a public offering of voting stock:

(1) Members of the mutual insurance holding company shall receive, without payment, nontransferable subscription rights to subscribe to that portion of the public offering as has been approved by the board of directors of the mutual insurance holding company as reasonable in order to effectuate the public offering of shares and the infusion of new public capital, which such subscription rights shall be no less than 20 percent of the total number of shares available through such offering;

(2) The plan may provide that the directors and officers of the mutual insurance holding company shall receive, without payment, nontransferable subscription rights to purchase up to 10 percent of the capital stock of the reorganized stock insurer or the stock of another corporation that is participating in the reorganization or merger plan as provided in this chapter. Those subscription rights shall be allocated among the directors and officers by a fair and equitable formula approved by the Commissioner. Subscription rights provided to a director or officer under this Code section shall be in addition to any subscription rights provided to that director or officer under paragraph (1) of this Code section in his or her capacity as a member of the mutual insurance holding company. Stock purchased by a director or officer under this Code section may not be sold within

one year following the effective date of the acquisition of shares. The plan may also provide that a director or officer or person acting in concert with a director or officer of the mutual insurance holding company may not acquire any capital stock of the reorganized stock insurer for three years after the effective date of the reorganization or merger plan, except through a broker or dealer, without the permission of the Commissioner; provided, however, that such restrictions may not apply to prohibit the directors and officers from purchasing stock through subscription rights received in the plan under this Code section;

(3) The plan may allocate to a tax-qualified employee benefit plan nontransferable subscription rights to purchase up to 10 percent of the capital stock of the reorganized stock insurer or the stock of another corporation that is participating in the reorganization or merger plan as provided in this chapter. Such employee benefit plan shall be entitled to exercise its subscription rights regardless of the amount of shares purchased by other persons;

(4) The plan shall provide that any shares of capital stock not subscribed to by persons exercising subscription rights received under paragraphs (1), (2), and (3) of this Code section shall be included in the public offering;

(5) The plan shall provide that any one person or group of persons acting in concert may not acquire, through public offering or subscription rights, more than 10 percent of the capital stock of the reorganized stock insurer for a period of two years from the effective date of the reorganization or merger plan without the prior approval of the Commissioner; provided, however, that directors and officers of the mutual insurance holding company shall not be considered a 'group acting in concert' solely because they are directors and officers of the mutual insurance holding company or when exercising subscription rights provided under this Code section; and

(6) The terms and conditions of any such public stock offering shall be approved by an independent committee of the board of directors of the mutual insurance holding company.

33-13A-7.

(a) A reorganization plan or merger plan adopted by a mutual insurer's board of directors pursuant to Code Section 33-13A-4 or 33-13A-5 shall be voted on and approved by the policyholders of the reorganizing mutual insurer at a special policyholders' meeting convened for the sole purpose of voting on the reorganization plan or merger plan. Each policyholder shall be entitled to cast only one vote, in person, by proxy, or by ballot sent in by mail, regardless of the number of policies or contracts that he or she owns or holds; provided, however, that if the vote relates to reorganization of a life insurer, the right to



1 vote may be limited by the mutual life insurer's bylaws to members whose policies are  
2 other than term or group policies and which policies have been in effect for more than one  
3 year. Any proxy must relate specifically to the reorganization plan or merger plan.  
4 Policyholders shall be given at least 30 days' written notice of the meeting to vote upon the  
5 reorganization plan or merger plan. The notice shall include at least a summary of the  
6 reorganization or merger as adopted by the board of directors, a uniform ballot for voting  
7 on the question of the proposed reorganization or merger, and a statement informing  
8 policyholders that the Commissioner may hold a public hearing on the proposed  
9 reorganization or merger to be held within 60 days after the policyholders' approval of any  
10 reorganization plan or merger plan. Any policyholder approval required by this Code  
11 section shall be approved by the affirmative vote of at least a two-thirds' majority of the  
12 votes cast by policyholders either in person, by proxy, or by ballot sent in by mail. Notice  
13 of any reorganization plan or merger plan so approved shall be forwarded to the  
14 Commissioner within ten days of the policyholder vote.

15 (b) In the case of a merger plan pursuant to Code Section 33-13A-5, such plan must be  
16 approved by a two-thirds' majority of the policyholders of the mutual insurer or insurers  
17 voting on the proposed merger and also by a two-thirds' majority of the members of the  
18 existing mutual insurance holding company voting on the proposed merger, provided that  
19 the approval of the members of the existing mutual insurance holding company shall not  
20 be required if the Commissioner determines that the proposed merger would not have a  
21 material adverse effect on the management or the financial condition of the mutual  
22 insurance holding company.

23 (c) In the case of a merger of two mutual insurance holding companies, the merger plan  
24 must be approved by a two-thirds' majority of the members of both mutual insurance  
25 holding companies voting on such merger; provided, however, that the approval of such  
26 members of either or both mutual insurance holding companies shall not be required if the  
27 Commissioner determines that the proposed merger would not have a material adverse  
28 effect on the management or the financial condition of either or both mutual insurance  
29 holding companies, as the case may be.

30 (d) In any case where a domestic mutual insurance holding company is merging with a  
31 mutual insurance holding company domiciled in another state and regulated under that  
32 other state's law, nothing in this article shall prohibit the application of the new domestic  
33 state's approval procedures, provided that the Commissioner determines that the approval  
34 requirements of this chapter applicable to the domestic mutual insurance holding company  
35 have been met, and further provided that the Commissioner determines that the approval  
36 by the other mutual insurer's members according to that other state's procedures is in the

1 best interests of the members of the Georgia mutual insurance holding company that is  
2 party to the merger.

3 33-13A-8.

4 (a) The Commissioner, after receiving notice of policyholder approval of a reorganization  
5 plan pursuant to Code Sections 33-13A-4 and 33-13A-7 or after receiving notice of  
6 policyholder or member approval of a merger plan pursuant to Code Sections 33-13A-5  
7 and 33-13A-7 may, but need not, conduct a public hearing regarding any such proposed  
8 plan. The hearing shall be held within 60 days after the submission of a completed  
9 reorganization plan or merger plan as approved by the policyholders or, if applicable, by  
10 the members. The Commissioner shall give the reorganizing or merging company or  
11 companies at least 20 days' prior notice of the hearing. Such notice shall specify the time  
12 and place of the hearing. Any mutual insurer or mutual insurance holding company which  
13 is a party to the proposed reorganization plan or merger plan shall provide public notice of  
14 the time and place of the hearing to be published for five consecutive days in a newspaper  
15 of general state-wide circulation. At the public hearing, the reorganizing or merging  
16 mutual insurer, its policyholders, and any other person whose interest may be affected by  
17 the proposed reorganization or merger may present evidence, examine and cross-examine  
18 witnesses, and offer oral and written arguments or comments according to the procedure  
19 for contested cases under Chapter 2 of this title.

20 (b) Any interested person or group which desires to correspond with the policyholders of  
21 the mutual insurer which is the subject of a proposed reorganization plan or merger plan  
22 may petition the Commissioner to supervise a mailing of any notice or materials which is  
23 pertinent to the proposed reorganization or merger. Any such interested party or group  
24 must submit such petition and the materials intended to be mailed at least ten days prior to  
25 the date of the proposed public hearing on the reorganization or merger. The  
26 Commissioner shall review the materials and may in his or her discretion require the  
27 mutual insurer to mail such materials to all policyholders who would be affected by the  
28 proposed reorganization or merger; provided, however, that the Commissioner must  
29 provide notice of the required mailing to policyholders and the approved contents of any  
30 such mailing to the mutual insurer at least five days prior to any proposed public hearing  
31 on the reorganization or merger. The mutual insurer shall provide satisfactory proof to the  
32 Commissioner that the notice or materials have been sent to all policyholders. The costs  
33 of any such additional mailing shall be assessed to the party or group requesting the  
34 mailing, and under no circumstances shall the mutual insurer or Commissioner be required  
35 to distribute a list of policyholder names and addresses to the requesting party or group.  
36 In the event that the mutual insurer advises the Commissioner that there is inadequate time

1 prior to the public hearing for the required mailing or for reasonable evaluation of the  
2 materials by the policyholders, the Commissioner may allow one single postponement of  
3 the public hearing for up to an additional 30 days in order to allow additional time for the  
4 distribution of the requested notice and materials to the policyholders. Any such  
5 postponement shall not operate to extend the deadline for submission of the petition to the  
6 Commissioner at least ten days in advance of the public hearing by any interested party,  
7 as contemplated in this Code section.

8 (c) The Commissioner shall by order approve or disapprove the proposed reorganization  
9 plan or merger plan within 60 days after the Commissioner deems the filing of such plan  
10 to be complete, if no public hearing is to be held, or 60 days after the filing is deemed  
11 complete and after the conclusion of the public hearing. The Commissioner may extend  
12 the time for issuance of such order by an additional 30 days by providing written notice to  
13 the board of directors of the mutual insurer.

14 (d) The Commissioner shall approve the proposed reorganization or merger unless the  
15 Commissioner finds that:

16 (1) The provisions of this Code section or Code Section 33-13A-4, 33-13A-5, or  
17 33-13A-7 have not been complied with;

18 (2) Disapproval is necessary to prevent the financial impairment of the mutual insurer  
19 or proposed stock insurer;

20 (3) The financial resources or management of the mutual insurer warrant disapproval of  
21 the proposed reorganization or merger; or

22 (4) The proposed reorganization or merger would be unfair or inequitable to the  
23 policyholders of the mutual insurer.

24 (e) Upon deciding to approve or disapprove a proposed reorganization plan or merger plan,  
25 the Commissioner shall notify the mutual insurer's board of directors of the decision. If  
26 the Commissioner disapproves the proposed reorganization or merger, the Commissioner's  
27 notice to the mutual insurer's board of directors shall detail the reasons for such  
28 disapproval. If the Commissioner approves the proposed reorganization or merger, then  
29 the effective date of the reorganization or merger shall coincide with the date the  
30 Commissioner gives such approval, or any later date, not to exceed 180 days, if requested  
31 by the mutual insurer at the time the reorganization plan or merger plan was filed originally  
32 with the Commissioner.

33 (f) After any approval of a reorganization plan or merger plan, the mutual insurance  
34 holding company, the reorganized stock insurer and, if applicable, any intermediate holding  
35 company shall submit final copies of their respective articles of incorporation and bylaws  
36 to the Commissioner and to the Secretary of State.

(g) Upon a reorganization plan or merger plan taking effect in accordance with this Code section, the corporate existence of the mutual insurer shall continue in the reorganized stock insurer. Unless otherwise specified in the reorganization plan or merger plan, those persons who are the directors and officers of the mutual insurer on the effective date of the reorganization or merger shall serve as interim directors and officers of the reorganized stock insurer until new directors and officers are elected pursuant to the terms of the reorganized or merged company's articles of incorporation and bylaws.

(h) If the name of a mutual insurer reorganizing into a stock insurer or merging to create a stock insurer includes the word mutual, then the new reorganized stock insurer may continue to use the word mutual in its name unless the Commissioner finds that the continued use of the word mutual in the company's name is likely to mislead or deceive the public.

33-13A-9.

(a) Any mutual insurance holding company organized under the laws of any other state which owns an insurer authorized to transact business in this state may become a domestic mutual insurance holding company by complying with all of the requirements relative to the organization of a mutual insurance holding company under the laws of this state.

(b) Any domestic mutual insurance holding company, upon the approval of the Commissioner, may transfer its domicile to any other state which authorizes mutual insurance holding companies and which evidences its approval of the redomestication of the Georgia domestic mutual insurance holding company and, upon such transfer, shall cease to be a domestic mutual insurance holding company. The Commissioner shall, within 60 days after the filing of a request to transfer its domicile by the domestic mutual insurance holding company, approve any such proposed transfer of domicile of a mutual insurance holding company unless the Commissioner determines that the proposed transfer is not in the best interests of the members of the mutual insurance holding company.

33-13A-10.

A domestic mutual insurer which reorganized under Code Section 33-13A-4 or merged under Code Section 33-13A-5 into a mutual insurance holding company that has been organized for at least two years or has been organized for at least one year and which owns an intermediate holding company or an insurance company subsidiary that has sold shares of its capital stock equal to at least 25 percent of the total policyholders' surplus of such insurance company subsidiary may convert to a domestic stock corporation pursuant to the provisions of Code Section 33-14-76, relating to the conversion of a mutual insurer to a stock insurer. The terms and conditions of any such reorganization plan shall be approved

1 by an independent committee of the board of directors of the mutual insurance holding  
2 company.

3 33-13A-11.

4 (a) A mutual insurance holding company is deemed to be subject to Chapter 14 and  
5 Chapter 3 of this title and as such shall automatically be a party to any proceeding under  
6 Chapter 37 of this title involving an insurance company which as a result of a  
7 reorganization pursuant to this chapter is a subsidiary of the mutual insurance holding  
8 company. In any proceeding under Chapter 37 of this title involving the reorganized stock  
9 insurer, the assets of the reorganized stock insurer which have been transferred, directly or  
10 indirectly, to the mutual insurance holding company at the time of and as a part of the  
11 reorganization are deemed to be assets of the estate of the reorganized stock insurer for  
12 purposes of satisfying the claims of the reorganized stock insurer's policyholders.

13 (b) A mutual insurance holding company shall not dissolve or liquidate without the  
14 approval of the Commissioner or as ordered by the superior court pursuant to the  
15 provisions of Chapter 37 of this title.

16 (c) At any time after a merger as contemplated in Code Section 33-13A-5 or after any  
17 reorganization under Code Section 33-13A-4, the Commissioner shall retain jurisdiction  
18 over any mutual insurance holding company or intermediate holding company that is  
19 involved in the merger or reorganization. The Commissioner shall have jurisdiction over  
20 any mutual insurance holding company or intermediate holding company pursuant to Code  
21 Sections 33-13-4 through 33-13-15 to ensure the solvency, financial strength, and  
22 continued compliance of the insurer and its affiliates, provided that the definitions in  
23 paragraphs (1) through (8) of Code Section 33-13-1 shall apply to the application of the  
24 provisions of 33-13-4 through 33-13-15. Notwithstanding the provisions of Code Section  
25 33-13-5, any stock dividend proposed to be paid within one year of the effective date of  
26 any reorganization or merger under this chapter shall be subject to prior approval of the  
27 Commissioner. The Commissioner shall approve or disapprove the proposed dividend  
28 within 30 days of receipt of the dividend payment request. Stock dividends proposed to  
29 be paid after one year from the effective date of any reorganization or merger under this  
30 article shall be governed by the provisions of Code Section 33-13-5.

31 33-13A-12.

32 A membership interest in a domestic mutual insurance holding company shall not  
33 constitute a security under the laws of this state; provided, however, that nothing in this  
34 Code section shall limit the voting rights of a member. No member of the mutual insurance  
35 holding company shall transfer membership in the mutual insurance holding company or

any right arising from membership. If, at any time prior to a reorganization under Code Section 33-13A-4 or a merger under Code Section 33-13A-5, a policyholder ceases to be a policyholder of the mutual insurer, such policyholder shall not become a member of the mutual insurance holding company or any intermediate holding company. Additionally, if at any time subsequent to the reorganization or merger, a policyholder of the reorganized stock insurer shall cease to be a policyholder, such policyholder shall also cease to be a member of the mutual insurance holding company or any intermediate holding company.

33-13A-13.

(a) The voting stock of the reorganized stock insurer which is owned by a mutual insurance holding company shall not be conveyed, transferred, assigned, pledged, subjected to a security interest or lien, encumbered, or otherwise hypothecated or alienated by the mutual insurance holding company or intermediate holding company. Any conveyance, transfer, assignment, pledge, security interest, lien, encumbrance, or hypothecation or alienation of, in, or on the majority of the voting stock of the reorganized stock insurer which is owned by a mutual insurance holding company shall be a violation of this Code section and shall be void in reverse chronological order of the date of such conveyance, transfer, assignment, pledge, security interest, lien, encumbrance, or hypothecation or alienation as to the shares necessary to constitute a majority of such voting stock. The shares of the capital stock of the surviving or new company resulting from a merger or consolidation of two or more reorganized stock insurers or two or more intermediate holding companies which were subsidiaries of the same mutual insurance holding company shall be subject to the same requirements, restrictions, and limitations as provided in this Code section for the shares of the merging or consolidating reorganized stock insurers or intermediate holding companies.

(b) The majority of the voting stock of the reorganized stock insurer shall be owned by a mutual insurance holding company which may include indirect ownership through one or more intermediate holding companies in a corporate structure as approved by the Commissioner. However, indirect ownership through one or more intermediate holding companies shall not result in the mutual insurance holding company owning less than the equivalent of a majority of the voting stock of the reorganized stock insurer.

(c) Any stock insurer or any intermediate holding company subsidiary of the mutual insurance holding company may issue incentive stock options, stock appreciation rights, or any other incentive plan based upon an increase in the stock price of the subsidiary only with the prior approval of a majority vote of the board of directors of the mutual insurance holding company.

33-13A-14.

(a) A mutual insurance holding company organized under this chapter may hold, directly or indirectly, multiple subsidiaries, including multiple intermediate holding companies, and an intermediate holding company may in turn hold multiple subsidiaries, directly or indirectly, including multiple stock or mutual insurers.

(b) A mutual insurance holding company shall not pay dividends to its members, although it may receive dividends from any of its subsidiaries. Nothing within this Code section shall prohibit a converted stock insurer subsidiary of a mutual insurance holding company from issuing policyholder dividends, refunds, credits, or other forms of compensation to its policyholders related to or based upon an individual policyholder's loss ratio, years as a policyholder, or other facts related to a policyholder's underlying policies.

33-13A-15.

Any action challenging the validity of, or arising out of, actions taken or proposed to be taken in connection with a reorganization or merger under this chapter shall be commenced not later than 30 days after the effective date of such reorganization or merger.

33-13A-16.

All costs and expenses of the process of a reorganization or merger pursuant to this chapter shall be paid for or reimbursed by the mutual insurer.

33-13A-17.

The Commissioner may engage the assistance of experts, including, but not limited to, accountants, actuaries, and other consultants, to assist in the evaluation of any proposed reorganization plan or merger plan. All reasonable costs related to the review of a reorganization plan or merger plan or any other related matter, including the costs attributable to the Commissioner's use of experts, shall be paid by the mutual insurer or the reorganized stock insurer filing the reorganization plan or merger plan.

33-13A-18.

The hearing procedures as specified in this chapter shall supersede any other provisions of Chapter 2 of this title to the extent of any conflict therewith.

33-13A-19.

The Commissioner shall have the authority to promulgate rules and regulations to implement and enforce the provisions of this chapter."

1 **SECTION 2.**

2 This Act shall become effective on July 1, 2007.

3 **SECTION 3.**

4 All laws and parts of laws in conflict with this Act are repealed.